

Message Text

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20

ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 SS-15 FEA-01 ERDA-05
AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01
H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-06 SP-02 STR-04 TRSE-00 ACDA-07 FRB-03
XMB-02 OPIC-03 LAB-04 SIL-01 /120 W
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R 081814Z DEC 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 3956

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION USBERLIN

USMISSION NATO BRUSSELS

USNMR SHAPE

AMCONSUL FRANKFURT

AMCONSUL MUNICH

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL HAMBURG

AMCONSUL STUTTGART

CINC USAFE RAMSTEIN

CINC USAREUR HEIDELBERG

CINC EUR VAIHINGEN

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DEPARTMENT PASS TREASURY, FRB AND CEA

E.O. 11652: N/A

TAGS: EFIN, ECON, GW ZNRG

SUBJECT: IMPACT OF ANOTHER OIL PRICE INCREASE

REF: STATE 291572

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1. WE RECEIVED A CALL FROM THE CHIEF OF SHORT-TERM

FORECASTING IN THE ECONOMIC MINISTRY (HEYNE) WHO WISHED TO COMMENT ON THE TECHNICAL ASPECTS OF THE ANALYSIS PROVIDED IN THE REFTEL OF THE IMPACT OF ANOTHER OPEC OIL PRICE INCREASE ON THE FRG. (HEYNE IS ONLY ONE OF SEVERAL CONCERNED FRG OFFICIALS WHO WERE PROVIDED SANITIZED COPIES OF THE REFTEL).

2. REFERRING TO PARA 6 OF THE REFTEL, HEYNE SAID THAT IF ONE TAKES INTO ACCOUNT ONLY THE DIRECT EFFECTS OF AN OIL PRICE INCREASE, THE GNP DEFLATOR WOULD NOT BE AFFECTED OTHER THAN IN A VERY MINOR WAY BY THE INCREASED VAT PROCEEDS. HE SAID THAT THE FRG MADE THIS SAME ERROR WHEN ATTEMPTING TO CALCULATE THE EFFECT OF THE EARLIER PRICE RAISE ON THE GNP DEFLATOR IN 1974, BUT FOUND THAT IN THE LONG RUN THERE WAS VIRTUALLY NO IMPACT. HE EXPLAINED THIS BY SAYING THAT WHILE ALL GNP AGGREGATE DEFLATORS ARE AFFECTED, IT MUST NOT BE FORGOTTEN THAT IMPORTS ARE SUBTRACTED WITH THE NET RESULT THAT THERE IS AN OFFSETTING OF THE INCREASES IN THE DEFLATORS FOR PRIVATE CONSUMPTION, PUBLIC CONSUMPTION, INVESTMENT, ETC.

3. CONCERNING PARA 18 OF REFTEL, HEYNE SAID THAT A 0.5 PERCENTAGE POINT LOSS IN REAL GNP FOR THE FRG WAS AN OVERSTATEMENT OF THE EFFECT OF A 10 PERCENT INCREASE IN OIL PRICES. HE DECLINED TO QUANTIFY WHAT THEIR CALCULATIONS OF THE IMPACT WOULD BE. HOWEVER, HE DID SAY THAT IT WAS CONCEIVABLE THAT REAL GNP IN THE FRG COULD BENEFIT FROM AN OIL PRICE RISE DUE TO THE IMPACT OF SUCH A PRICE RISE ON THE OPEC COUNTRIES' DEMAND FOR IMPORTS FROM THE FRG.

4. THE FRG CONSUMER PRICE INCREASE OF 0.6 PERCENTAGE POINTS THAT IS CITED IN PARA 20 OF REFTEL AS THE RESULT OF A 10 PERCENT INCREASE IN OIL PRICES WAS EXCESSIVE, SAID HEYNE. RATHER, HE SAID THEIR CALCULATION OF THE DIRECT EFFECTS OF SUCH A PRICE RISE WAS A 0.3 PERCENTAGE POINT INCREASE IN CONSUMER PRICES.

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5. AS A SIDELIGHT IT SHOULD BE NOTED THAT HEYNE MET WITH UNDER SECRETARY ROGERS' ASSISTANT, DR. FRANK, ON OCTOBER 15 WHILE ON CU-FUNDED TRAVEL GRANT. STOESEL

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Message Attributes

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Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
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Disposition Reason:
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Executive Order: N/A
Errors: N/A
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Margaret P. Grafeld
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